

OFFICIAL DISPATCH

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DISPATCH NO. PA3-H-02

CLASSIFICATION

NOV 26 1952

TO : Chief of Base, Salzburg

DATE: _____

FROM : Chief, ER

INFO: VIEN

D SUBJECT: GENERAL - Operational/GROOVY
SPECIFIC - GROSSBAHN - CC-2

Reference: LASA 205, 225

1. The CC-2 - HOETTL relationship is one of great concern here and we have not been completely reassured by the contents of LASA 225.

2. It is not entirely clear from this and as to the exact nature of CC-2's duties for GROSSBAHN at the present time. In the past he has been variously described as chief assistant, reports editor, case officer etc. In SLZ 5134 he is said to handle "internal Austrian and OB reporting, briefs, and follow ups". If this situation is still true, then he would seem to be completely au courant of everything going on within GROSSBAHN's office. Although not expressly stated, it appears that CC-2 has access to GROSSBAHN's files; for example the background information on Theodor ALBERT as given by CC-2 in attachment B to LASA 205 seems to be taken directly from a report by FR-1 (P/23307). We would, therefore, much appreciate clarification as to the extent to which CC-2 has been sealed off from knowledge of GROSSBAHN's intelligence activities.

3. We realize, of course, the urgent need which GROSSBAHN has for CC-2's services at the present time, and the danger that, if dropped, the latter might fall like a ripe plum into the lap of Bonn. On the other hand, GROSSBAHN is being used increasingly to provide support of one sort or another to our operations in Austria, and a penetration by HOETTL could naturally have widespread implications for other DYCLAIN projects such as REDCAP.

4. In an effort to look into the CC-2 - HOETTL matter from another angle, we have reviewed the HOETTL file here, a task which has yielded some possible leads. The following is quoted from HQG-W-301 of 12 September 1952 (not sent to Vienna or Salzburg):

NAZI WAR CRIMES DISCLOSURE ACT

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ENCL. E75A-225			
6 JAN 1953			

Date of Origin
18 November 1952

X REF FORM FILED

INT: []

COORDINATING OFFICE

CLASSIFICATION

EXEMPTIONS Section 3(b)

(2)(A) Privacy

(2)(B) Methods/Sources

(2)(G) Foreign Relations

EE/FIA

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"On the occasion of HOETTL's last visit to CAPOTE at Frankfurt sometime in April 1952, CAPOTE told me he was convinced that HOETTL produced plenty of phoney reports and that he was cutting him off financially. CAPOTE said that the only intelligence of value that HOETTL produced concerned the Austrian government, but all other, namely OB, Hungarian, and Romanian political reports, reports on North Africa, Italy and Trieste were phoney. When I asked CAPOTE why, if he knew HOETTL manufactured so much paper, he subsidized him and maintained his close contact, CAPOTE replied that he was trying to determine who HOETTL's excellent source on internal Austrian affairs was before completely severing the connection".

The following is extracted from NSA 6452 dated 9 April 1952 (forwarded to Salzburg as an attachment to SAS-3-407):

"He (CAPOTE) steadfastly maintains...that HOETTL has ability and does get bona-fide internal political information which, over a period of months, has proven to be true...HOETTL received 600 DM monthly for his political information."

5. The above quotes are interesting when considered in connection with paragraph 1 of SASA 205 in which HAST is said to claim that CC-2 receives AS 2000 monthly for a report to HOETTL, whereas he, HAST, receives only AS 4000 for his entire office. HAST's allegation does not prove that CC-2 is HOETTL's "excellent source on internal Austrian affairs", but it seems not improbable. It is noteworthy that in the first half of 1950 when GROSSBAHN reports were primarily concerned with the internal Austrian scene, the largest number originated with CC-2 and HI-1.

6. One possibility which is extremely remote but which cannot be entirely overlooked is that GROSSBAHN himself may be closer to HOETTL than is apparent. According to SALZ 238, HOETTL approached GRUESCHE 201 in December 1951, and mentioned among other things that he was collaborating "with Otto Ima (suspected here to be USAID)". There is in addition the CIC report cited in SAS-3-1 alleging GROSSBAHN collaboration with HOETTL. There is naturally no reason to doubt GROSSBAHN's good faith on the basis of these two vague and unsubstantiated reports and it is of course possible that they refer to the CC-2 - HOETTL relationship.

7. At any event, it seems that HOETTL dominates CC-2 as does GROSSBAHN. Whether GROSSBAHN dominates him more than HOETTL is the big question. CC-2 appears to tell GROSSBAHN the facts about his meetings with HOETTL, but, if we are to believe the GRUESCHE 201 allegations, CC-2 tells HOETTL even more about GROSSBAHN's intelligence activities. In view of the many rumors in the past about the connections between HOETTL and various intelligence services, the implications from a CE standpoint are serious. Incidentally, Theodor ALBERT, mentioned in the report on the meeting between CC-2 and HOETTL, is said in a [] report (NSA 11701) to have been won over to work for the Soviet IS by Ivar KAGY.

8. To sum up, the situation seems to resume itself as follows: CC-2, through his relationship with HOETTL, constitutes a security threat to the GROSSBAHN project. As a result of five years of close collaboration with GROSSBAHN, CC-2 has a fairly extensive knowledge of GROSSBAHN contacts and operations. In addition he seems to have at least some access to GROSSBAHN's files. On the other side of the picture,

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he is immensely valuable to GROSSBAHN because of his editing abilities, his intelligence experience and his high-level contacts. Also, GROSSBAHN has no one else at present who could take over CC-2's work. There is in addition the question of what would happen to CC-2 if dropped: there is the likelihood that he would then work full time with Bonn or WETTL.

9. The ideal solution would naturally be to replace CC-2 and to transfer him to a peripheral spot in GROSSBAHN's complex, where he would rarely if ever come inside GROSSBAHN's office. Actually, there seems to be no such easy and immediate way out, and any solution must be a compromise. If, after weighing the factors on each side, it is decided to keep him on for the time being, it should be with the full realization that we are dealing with a calculated risk, and that any information to which CC-2 is exposed may end up via WETTL with other intelligence services.

10. We shall look forward to hearing more on the situation. In closing we quote a statement by Willi in Die Geheim Front to which we say a hearty amen: "Der Geheimdienst stellt ungemein schwierige organisatorische Probleme".

AQ

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